0 22697
0-35941

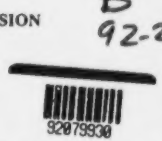
8/17

B
92-2276

RECD SECURITIES AND EXCHANGE COMMISSION
MAR 23 1992
147

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q



(Mark one)

_X_ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended February 29, 1992

or

_____ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission File Number: 0-16128

PROCESSED BY
8-8-92
MAR 26 1992

AMERICAN BIODYNAMICS INC.

(Exact name of registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

British Columbia, Canada	**?**
(State or other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
10500 University Center Drive, Suite 130 Tampa, Florida	**33612**
(Address of Principal Executive Offices)	*(Zip Code)*

Registrant's telephone number, including area code: **(813) 979-0016**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

As of March 20, 1992, there were outstanding 6,966,219 shares of Common Stock, without par value.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN BIODYNAMICS INC. AND SUBSIDIARY
BALANCE SHEET

	February 29, 1992 (unaudited)	November 30, 1991 (audited)
ASSETS		
Current Assets		
Cash and equivalents	$688,763	$191,701
Accounts receivable	470,343	579,779
Inventories	290,694	376,456
Other current assets	45,633	21,545
	1,495,433	1,169,481
Fixed Assets		
Office furniture & equipment	157,574	141,003
Leasehold improvements	23,877	23,877
Less accumulated depreciation	(121,313)	(109,932)
	60,138	54,948
Other assets		
Investment in joint venture	146,937	157,816
Non compete Agreement, less accumulated amortization	339,812	---
Other assets	44,298	16,800
	531,047	174,616
TOTAL ASSETS	$2,086,618	$1,399,045
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	430,053	609,919
Obligation under non compete, c/p	76,875	---
	506,928	609,919
Other liabilities		
Obligation under non-compete- n/c	264,813	---
Restricted stock	---	44,871
Shareholders' Equity		
Common stock	5,267,592	4,810,095
Less Treasury stock, 1,050 shares at cost	(432)	(432)
Additional contributed capital	696,049	696,049
Foreign currency translation gains	11,778	17,203
Retained earnings	(4,660,110)	(4,778,660)
	1,314,877	744,255
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$2,086,618	$1,399,045

See accompanying notes to consolidated financial statements.

AMERICAN BIODYNAMICS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	February 29, 1992	February 28, 1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$118,550	($9,792)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,165	7,862
Amorization of debt cost and stock premium	---	8,550
Equity in loss of joint venture	29,160	20,235
Stock issue for services	---	5,833
Changes in assets and liabilities:		
Accounts receivable	109,436	5,896
Inventories	85,762	(39,483)
Prepaid expenses and other current assets	(24,088)	(22,895)
Accounts payable and accrued expenses	(179,866)	25,157
Foreign currency translation adjustments	(5,425)	483
Net cash provided by operating activities	152,694	1,846
Cash flows from investing activities		
Purchases of plant, property and equipment	(16,571)	(6,516)
Additions to intangible assets	(20,028)	---
Contributions to joint venture	(17,848)	(15,348)
Net cash used in investing activities	(54,447)	(21,864)
Cash flows from financing activities		
Repayment of debt	(12,810)	(26,626)
Proceeds from stock option exercise	130,625	---
Issuance of stock in private placement	281,000	---
Net cash provided by financing activities	398,815	(26,626)
Net increase in cash and cash equivalents	497,062	(46,644)
Cash and Cash Equivalents at beginning of period	191,701	119,297
Cash and Cash Equivalents end of period	$688,763	$72,653
Supplemental cash flow disclosures – interest paid	---	$202
Supplemental schedule of noncash investing and financing activities:		
Obligation under Non-compete Agreement	$354,500	---

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations.

The Company recorded net income of $118,550 ($.02 per common share) in the first three months of fiscal 1992, compared to a net loss of 9,792 ($.002 per share) in the first three months of 1991.

Operating results for the three months ended February 29, 1992

Tissue sales for the three months ended February 29, 1992 were $1,107,721, increased 65%, as compared to sales of $673,306 for the same period in the previous fiscal year. Increased revenues can be attributed in part to new bone graft products which were introduced in the second quarter of 1991, representing approximately 30%, or $327,049, of total revenues. Sales of dura mater, which is 95.3% of the soft tissue, increased 16% over the prior comparative period. The slight increase in gross margins, from 42% in 1991 to 49% in 1992, can be directly attributed to the fluctuation in currency exchange, as the dollar was slightly stronger against the Deutche Mark.

Operating expenses for the first three months of 1992 were increased 36%, from $274,668 in 1991 to $373,400 in 1992. However, expense as a percent of revenue for the three months was 25%, as compared to 33% for the comparable prior year three month period. Slightly higher spending levels can be attributed to an increase in support staff, additional clinical studies for new product evaluation, printing and other costs related to new product literature, and increased market activity related to the introduction of new products.

Capital Expenditures and Liquidity

Through the first three months of 1992, operating activities provided cash of $152,694, with cash and cash equivalents at the end of the period increased by $497,062. $16,571 was used in equipment purchases, with cash payments to the joint venture of $17,848 and $12,810 used to reduce debt. The comparable period in 1990 experienced a decrease in cash and cash equivalents of $46,644 with operating activities providing cash of $1,846, and cash of $48,490 used in debt reduction, purchases of equipment and contributions to the joint venture.

In December 1991 and January 1992, employees exercised stock options for 177,500 shares of Common Stock granted under the Company's Incentive Stock Option plan, with proceeds to the Company totalling $130,625.

During February 1992, the Company completed a private placement of 160,000 shares of restricted common stock and 80,000 stock purchase warrants for a total of $300,000. The warrants expire on Jaunary 25, 1995, with an escalating exercise price which ranges from $2.75 to $3.75 per share. The Company reserved a first right of refusal for 12 months on any proposed share sale. The shares carry piggyback registration rights after one year. If the warrants are exercised, the underlying shares carry piggyback registration rights. The warrants may be called by the Company at an exercise price of $2.75 per warrant if the trading value of the Company's common stock is $5.50 for 30 consecutive trading days.

On January 8, 1992, the Company reached a settlement of all outstanding litigation matters with Weldon S. Guest. Under the terms of the final settlement, Guest relinquished fully his claims regarding royalties purportedly due him under a royalty agreement and monies under a terminated employment agreement. Concurrently, Guest and the Company entered into a noncompete agreement prohibiting Guest from competing with the Company in the allograft tissue market for the length of the payment period. Further, he will not participate in the marketing or selling of any autotransfusion device for a period of one year. Additionally, Guest agreed to a standstill agreement prohibiting interference with the operations of the Company or its management for the payment period. In return for these agreements, the Company will pay Guest $354,500 over a four year period. The Company has the option to prepay in three years, and benefit from a $47,000 reduction of its obligation. A total of $45,000 was paid at the closing against the total amounts owed, and was expensed. The amount of the asset with the corresponding liability has been recorded as a Non-Compete Agreement, and is being amortized over the life of the Agreement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 20, 1992

American Biodynamics Inc.

John P. Hargis

President,
Chief Executive Officer

Martha Brown

Controller